



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
DEPARTMENT OF CORRECTIONS
GENERAL FUND, SPECIAL DEPOSIT FUND,
TRUST FUND, AND GENERAL FIXED
ASSETS ACCOUNT GROUP
YEAR ENDED JUNE 30, 1978**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

130

FINANCIAL AUDIT REPORT
DEPARTMENT OF CORRECTIONS
GENERAL FUND, SPECIAL DEPOSIT FUND, TRUST FUND,
AND GENERAL FIXED ASSETS ACCOUNT GROUP
YEAR ENDED JUNE 30, 1978

MARCH 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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April 2, 1980

130

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Department of Corrections, year ended June 30, 1978.

The auditors are Richard LaRock, CPA, Audit Manager; Robert L. Hamric, CPA; Merrill Tompkins, CPA; George Fracchia; Michael Edmonds; Thomas Dovi; Daniel Sherwood; Cynthia Hoffart, CPA; Fredrick Lewis; Earl Hickman; Freda Luan; Douglas Cordiner; and James Rostron.

Respectfully submitted,

S. FLOYD MORI
Assemblyman, 15th District
Chairman, Joint Legislative
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	3
FINANCIAL STATEMENTS	
BALANCE SHEET	5
GENERAL FUND	
SPECIAL DEPOSIT FUND	
TRUST FUND	
GENERAL FIXED ASSETS ACCOUNT GROUP	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL	6
GENERAL FUND	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	7
TRUST FUND	
NOTES TO THE FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	14
BALANCE SHEETS OF DEPARTMENTAL ADMINISTRATION, PAROLE AND COMMUNITY SERVICES DIVISION, AND TWELVE MAJOR CORRECTIONAL CENTERS	15
GENERAL FUND	
REVENUES, EXPENDITURES, AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL - DEPARTMENTAL ADMINISTRATION, PAROLE AND COMMUNITY SERVICES DIVISION, AND TWELVE MAJOR CORRECTIONAL CENTERS	17
GENERAL FUND	
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES	32
SPECIAL DEPOSIT FUND	
OTHER COMMENTS	33
APPENDICES	
APPENDIX A - MANAGEMENT LETTER 130-3	A-1
APPENDIX B - DEPARTMENT OF CORRECTIONS RESPONSE TO MANAGEMENT LETTER 130-3	B-1

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Department of Corrections' General Fund, Special Deposit Fund, Trust Fund, and General Fixed Assets Account Group. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Department of Corrections operates 12 major correctional centers for the control, care, and treatment of men and women who have been either convicted of serious crimes or admitted to the civil narcotics program. The department also operates parole units for the supervision of men and women who have been paroled from correctional facilities and who have returned to the community.

The Department of Corrections, headquartered in Sacramento, is administered through its Departmental Administration, an organization consisting of the director, three line divisions, and several staff service functions. The director has overall administrative and program responsibility.

The Institutions Division is responsible for all field operations, including oversight of correctional centers, classification of inmates, planning for medical and education services, maintaining records of inmates and institutions, and related program services. The Administration Division is responsible for the business affairs of the department, including budgeting, nutrition, construction, and maintenance. This division also advises the director on the status of fiscal affairs. The Policy and Planning Division is responsible for research and statistics, legal services, and guidance and assistance in planning, development, and operation of departmental programs. Staff services functions include public information, legislative liaison, human relations, and personnel management and training. In addition, Departmental Administration accounts for expenditures of the Narcotic Addict Evaluation Authority, the Community Release Board, and appropriations for reimbursements to local jurisdictions.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the financial statements of the General Fund, Special Deposit Fund, Trust Fund, and the General Fixed Assets Account Group of the Department of Corrections as of June 30, 1978. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 2, the department did not account for certain individually owned inmate investments within the Trust Fund. The department exercises certain controls over these investments normally exercised by a trustee or agent. Evidence supporting the investment balances at June 30, 1978 was no longer available for audit, and the department did not maintain records to permit the application of adequate alternative procedures regarding the individually owned inmate investments.

The financial statements of the Inmate Welfare Fund and of the Correctional Industries Revolving Fund of the Department of Corrections for the year ended June 30, 1978 are not included in the accompanying financial report. We have examined the financial statements of the Inmate Welfare Fund for the periods ended June 30, 1977 and 1978 and have issued a separate audit report. The Department of Finance examined the financial statements of the Correctional Industries Revolving Fund for the period ending June 30, 1977 and has issued their audit report.

As discussed in Note 3, of the 12 major correctional centers of the department, 3 have not maintained records to account for improvements. The effect of these unrecorded improvements on the financial position of the department's General Fixed Assets Account Group is substantial, but their value could not be reasonably determined from the department's records.

In our opinion, the aforementioned financial statements present fairly the financial position of the General Fund and Special Deposit Fund of the Department of Corrections as of June 30, 1978 and the results of operations and changes in operating clearing for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The department did not maintain accountability within the Trust Fund for certain individually owned inmate investments over which it exercises

controls normally exercised by a trustee or agent. As a result, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements for the department's Trust Fund. Because of the effect of the matters discussed in the preceding paragraph, the balance sheet of the General Fixed Assets Account Group does not present fairly, in conformity with generally accepted accounting principles, the financial position of the General Fixed Assets Account Group of the Department of Corrections as of June 30, 1978.

The columns on the accompanying financial statements for the year ended June 30, 1977, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them. The accompanying supplemental information is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


WESLEY E. VOSS
Assistant Auditor General

Date: August 14, 1979

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DEPARTMENT OF CORRECTIONS

BALANCE SHEET
GENERAL FUND, SPECIAL DEPOSIT FUND, TRUST FUND, AND
GENERAL FIXED ASSETS ACCOUNT GROUP

JUNE 30, 1978
(With Unaudited Amounts for 1977)

ASSETS	Governmental Fund Type		Special Deposit Fund		Fiduciary Fund Types		Account Group	
	1978	1977	1978	1977	1978	1977	1978	1977
Cash	\$ 2,099,753	\$ 1,205,566	\$ 14,457	\$ 11,702	\$ 466,429	\$ 220,751	\$ --	\$ --
Due from Inmate Welfare Fund (Note 5)	--	--	--	--	889,929	1,063,929	--	--
Accounts receivable (Note 6)	5,551,826	4,337,088	--	--	273,789	250,740	--	--
Allowance for deferred and uncollectible accounts receivable (Note 6)	(1,343,655)	(338,179)	--	--	--	--	--	--
Expense advances to employees	533,083	332,489	--	--	--	--	--	--
Prepayments to service revolving fund	671,258	603,685	--	--	--	--	--	--
Prepayments to sub-grantees	172,215	--	--	--	--	--	--	--
Other deferred charges	25,597	41,417	--	--	--	--	--	--
Property held in trust (Note 2)	--	--	--	--	52,831	67,528	--	--
Land (Note 3)	--	--	--	--	--	--	8,307,057	8,307,057
Improvements (Note 3)	--	--	--	--	--	--	122,898,925	122,405,424
Equipment (Note 3)	--	--	--	--	--	--	18,418,102	17,486,932
Advances to Architecture	--	--	--	--	--	--	5,039,745	12,132,661
Revolving Fund (Note 3)	--	--	--	--	--	--	154,663,829	160,332,074
Total Assets	\$ 7,710,077	\$ 6,182,066	\$ 14,457	\$ 11,702	\$ 1,682,978	\$ 1,602,948	\$ 154,663,829	\$ 160,332,074
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY								
Liabilities:								
Accounts payable	\$ 10,237,115	\$ 12,211,314	\$ 14,457	\$ 11,702	\$ 118,391	\$ 215,739	\$ --	\$ --
Prepayments from other funds	31,809	--	--	--	--	--	--	--
Reimbursements collected in advance	841,455	264,486	--	--	1,016	103	--	--
Uncleared collections	61,913	60,055	--	--	--	--	--	--
Total Liabilities	11,172,292	12,535,855	14,457	11,702	119,407	215,842	--	--
Encumbrances outstanding	6,350,508	--	--	--	--	--	--	--
Fund Equity:								
Investment in general fixed assets (Note 3)	--	--	--	--	--	--	149,624,084	148,199,413
Fund Balance:								
Depositors	--	--	--	--	1,505,041	1,313,063	--	--
Special trust	--	--	--	--	5,699	6,515	--	--
Property held in trust (Note 2)	--	--	--	--	52,831	67,528	--	--
Designated for construction	--	--	--	--	--	--	5,039,745	12,132,661
Operating clearing (Note 7)	(9,812,723)	(6,353,789)	--	--	--	--	--	--
Total Fund Equity	(9,812,723)	(6,353,789)	--	--	1,563,571	1,387,106	154,663,829	160,332,074
Total Liabilities, Encumbrances Outstanding, and Fund Equity	\$ 7,710,077	\$ 6,182,066	\$ 14,457	\$ 11,702	\$ 1,682,978	\$ 1,602,948	\$ 154,663,829	\$ 160,332,074

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF CORRECTIONS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978
(With Unaudited Amounts for 1977)

	1978			1977
	Budget as Adjusted	Actual	Variance- Favorable (Unfavorable)	Actual
Revenues: (Note 4)				
Intergovernmental revenues (Note 8)	\$ 11,124,969	\$ 7,449,164	\$ (3,675,805)	\$ 5,445,511
Miscellaneous revenues	--	53,157	53,157	51,886
Total Revenues	<u>11,124,969</u>	<u>7,502,321</u>	<u>(3,622,648)</u>	<u>5,497,397</u>
Other Sources:				
Support appropriations	263,857,783	252,476,797	(11,380,986)	223,955,811
Reimbursements (Note 9)	4,396,566	3,966,058	(430,508)	3,744,328
Refunds to reverted appropriations	--	46,010	46,010	6,995
Total Other Sources	<u>268,254,349</u>	<u>256,488,865</u>	<u>(11,765,484)</u>	<u>227,707,134</u>
Total Revenues and Other Sources	<u>279,379,318</u>	<u>263,991,186</u>	<u>(15,388,132)</u>	<u>233,204,531</u>
Expenditures: (Note 4)				
Current:				
Expenditures by program:				
Reception and diagnosis	2,957,337	2,956,422	915	2,573,095
Institutional program (Note 9)	208,849,670	208,261,178	588,492	183,516,601
Narcotic Addict Evaluation Authority	149,795	152,559	(2,764)	114,382
Community correctional program (Note 9)	28,043,000	27,762,984	280,016	25,146,674
Administration (Note 9)	11,667,636	11,670,579	(2,943)	8,762,925
Community Release Board	6,348,392	4,868,127	1,480,265	2,776,400
Workers' compensation benefits - inmates	22,600	16,030	6,570	--
Reimbursements to Local Jurisdictions:				
Transportation of prisoners	220,000	238,774	(18,774)	199,985
Returning fugitives from justice	770,000	769,850	150	697,793
Court costs and county charges	1,626,934	562,559	1,064,375	1,596,680
Detention of parolees	616,000	610,203	5,797	1,549,520
Capital outlay projects	11,086,821	3,228,750	7,858,071	2,858,678
Deferred maintenance projects	2,125,202	2,082,439	42,763	842,906
Grants	4,895,931	3,578,248	1,317,683	3,965,544
Prior year adjustments	--	638,261	(638,261)	(854,950)
Other Uses:				
Transfer of accountability to the State Controller	--	53,157	(53,157)	51,886
Total Expenditures and Other Uses	<u>279,379,318</u>	<u>267,450,120</u>	<u>11,929,198</u>	<u>233,798,119</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	<u>(3,458,934)</u>	<u>\$ (3,458,934)</u>	<u>(593,588)</u>
Operating Clearing - July 1 (Note 7)		<u>(6,353,789)</u>		<u>(5,760,201)</u>
Operating Clearing - June 30 (Note 7)		<u>\$ (9,812,723)</u>		<u>\$ (6,353,789)</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF CORRECTIONS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978
(With Unaudited Amounts for 1977)

	<u>1978</u>	<u>1977</u>
Revenues:		
Receipts for depositors (Note 2)	\$11,258,984	\$10,958,620
Securities received from or purchased for individuals	<u>58,656</u>	<u>43,173</u>
Total Revenues	<u>11,317,640</u>	<u>11,001,793</u>
Expenditures:		
Payments to and for depositors (Note 2)	11,067,822	11,060,664
Securities sold for or released to individuals	<u>73,353</u>	<u>38,061</u>
Total Expenditures	<u>11,141,175</u>	<u>11,098,725</u>
Excess of Revenues over (under) Expenditures	176,465	(96,932)
Fund Balance - July 1	<u>1,387,106</u>	<u>1,484,038</u>
Fund Balance - June 30	<u>\$ 1,563,571</u>	<u>\$ 1,387,106</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF CORRECTIONS
GENERAL FUND, SPECIAL DEPOSIT FUND, TRUST FUND,
AND GENERAL FIXED ASSETS ACCOUNT GROUP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the General Fund, Special Deposit Fund, Trust Fund, and General Fixed Assets Account Group of the Department of Corrections. The statements for the General Fund and the Special Deposit Fund have been prepared in conformity with generally accepted accounting principles applicable to state and local government as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting. Notes 2 and 3 relate to the accounting policies of the Trust Fund and the General Fixed Assets Account Group.

The accompanying financial statements are structured into the Governmental Fund Type, the Fiduciary Fund Types, and an Account Group. The Department of Corrections accounts for only its portion of the two fund type categories. The State Controller maintains central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the only Governmental Fund Type used by the Department of Corrections.

General Fund

The General Fund includes all financial resources not required to be accounted for in another fund. This fund is maintained on a modified accrual basis of accounting. Some of its more significant elements include:

Income

Throughout the fiscal year, revenues are accounted for on a cash basis. Reimbursements and inter-governmental revenues, however, are accounted for on an accrual basis. At June 30, all revenues which are earned and expected to be collected are accrued.

Expenditures

Throughout the fiscal year, expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments including commitments for encumbrances outstanding for which no goods or services have been received are accrued as expenditures against budget appropriations.

Liabilities

Retirement Plan - Regular employees of the Department of Corrections are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the agency and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totalled \$26,743,079.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

FIDUCIARY FUND TYPE

Fiduciary Fund Types are used to account for assets held by a governmental unit as a trustee or as an agent for individuals or private organizations. These are included in the Fiduciary Fund Types:

Special Deposit Fund

The department maintains its portion of the Special Deposit Fund as an agency fund to account for

- Money received from the Federal Government for special purposes;
- Money withheld from the wages of temporary maintenance workers to be paid to union vacation trust accounts;
- Payroll deductions for employees who perform educational services within the department's education program and elect to purchase tax sheltered annuities from life insurance companies.

Assets and Liabilities - Assets and liabilities are accounted for on the modified accrual basis. At the time an asset is received, a liability is incurred. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of operations.

Trust Fund

Trust Fund accounting policies are discussed in Note 2.

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group accounting policies and practices are explained in Note 3.

2. TRUST FUND ACCOUNTING POLICIES

The department maintains the Trust Fund to account for certain monies and properties received, held, and disbursed for inmates. Major correctional centers of the department receive monies for inmates and account for them in the Trust Fund as "Receipts for Depositors." Except for United States Savings Bonds, trust funds withdrawn and separately invested in the name of an inmate are reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Trust Fund as "Payments to and for depositors." Such investments for both current and prior periods are generally omitted from the asset and fund equity accounts entitled "Property held in trust" which are shown on the Trust Fund Balance Sheet.

The Penal Code requires that the Director of Corrections establish an accounting system to account for all money and property of the inmates. The correctional centers designate the nature of the investments, maintain custody of securities, passbooks, and certificates of deposit, and control investments and withdrawals. With the exception of United States Savings Bonds, however, the department generally does not maintain Trust Fund accountability for individually owned inmate investments, including savings accounts and certificates of deposit held by the correctional centers.

Receipts

Throughout the fiscal year, those receipts accounted for in the Trust Fund are accounted for on a cash basis; at June 30, the accounts are adjusted to accrue earned but uncollected receipts.

Payments

Payments are recorded on a cash basis. At June 30, valid accounts payable are accrued by restricting fund balance.

3. GENERAL FIXED ASSETS ACCOUNT GROUP ACCOUNTING POLICIES AND PRACTICES

The General Fixed Assets Account Group is used to account for land, improvements, equipment, and advances to the Architecture Revolving Fund. Assets purchased are recorded as expenditures in the appropriate fund in the year of encumbrance. Assets are recorded in the General Fixed Assets Account Group as of the date of acquisition or the date of completion of construction projects. Assets are valued at cost or fair market value if cost cannot be determined.

Improvements of the Sierra Conservation Center, California Correctional Center at Susanville, and the California Correctional Institution at Tehachapi have not been recorded in the improvements account. Although we could not practicably determine from the department's records the amounts not reported (based upon site inspections, the number of correctional centers not reporting improvements, and the amounts reported by other correctional centers), our rough estimate indicates that amounts not reported on the financial statements are substantial.

4. BUDGETED REVENUES AND EXPENDITURES

The Legislature appropriated the budget for the support of the Department of Corrections by major programs. The department allocated the legislative appropriation to the programs of the 12 major correctional centers, to the Parole and Community Services Division, and to Departmental Administration.

At June 30, 1978, the unallocated portion of the legislative appropriation was \$1,529,000. The amounts shown under "Budget as Adjusted" for revenues and expenditures reflect the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions exclusive of the unallocated portion of the legislative appropriation.

5. DUE FROM INMATE WELFARE FUND

Section 5008 of the Penal Code provides that the Director of Corrections, when specifically authorized on a separate written form by the inmate and when approved by the Department of Finance, may mingle the funds of any inmate with the funds of other inmates for purposes of deposit or investment only. This section also provides that the Director shall deposit the interest or increment accruing on such funds in the Inmate Welfare Fund. Such inmate funds were transferred from the Trust Fund of the institutions and prisons to the Inmate Welfare Fund which invested these monies. Interest earned on the investments was deposited in the Inmate Welfare Fund in compliance with Section 5008 of the Penal Code. The account, "Due from Inmate Welfare Fund," shown on the Balance Sheet for the Trust Fund, reflects the amount of trust monies transferred from the Trust Fund to the Inmate Welfare Fund that are to be returned upon formal request.

6. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DEFERRED AND UNCOLLECTIBLE RECEIVABLES

As of June 30, 1978, the Correctional Industries Revolving Fund was indebted to the General Fund in the amount of \$1,132,904 for rental of space at various correctional centers. The unpaid rent dates back to 1972. Because of the weakened financial position of the Correctional Industries Revolving Fund, the department is not actively seeking collection and has petitioned the Board of Control to cancel the debt. The amount of the past due rent has been fully reserved on the General Fund's Balance Sheet at June 30, 1978.

7. OPERATING CLEARING

This account is the connecting link between the books of the various state agencies and the central fund accounts of the State Controller's Office for the General Fund and other funds not accounted for entirely by one agency.

8. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues represent receipts from the Federal Government in the form of grants to aid in the support of a specified function, such as education.

9. REIMBURSEMENTS

Reimbursements of \$3,966,058 reported in the accompanying financial statements include intradepartmental reimbursements of \$972,117 for training. The 12 major correctional centers and Parole and Community Services Division initially incur departmental training costs. Departmental Administration maintains a budget allotment for departmental training and reimburses the locations for costs incurred.

Departmental training costs for the 12 major correctional centers totaling \$949,584 and for the Parole and Community Services Division amounting to \$22,533 are reported in the accompanying financial statements as costs of the Institutional Program and the Community Correctional Program. These costs are offset by intradepartmental reimbursements. Reimbursements of the departmental training costs to the 12 major correctional centers and Parole and Community Services Division are reported as costs of the administration program.

SUPPLEMENTAL INFORMATION

The accompanying supplemental information presents (1) balance sheet, budgetary data, and program expenditures of the General Fund of the Department of Corrections by Departmental Administration, Parole and Community Services Division, and the 12 major correctional centers and (2) changes in assets and liabilities of the Special Deposit Fund of the Department of Corrections by purpose for which assets were received. While not necessary for a fair presentation of the financial statements, the supplemental information is included to provide additional analytical data.

DEPARTMENT OF CORRECTIONS

SUPPLEMENTAL SCHEDULE
(Page 1 of 2)BALANCE SHEETS OF DEPARTMENTAL ADMINISTRATION,
PAROLE AND COMMUNITY SERVICE DIVISION, AND
TWELVE MAJOR CORRECTIONAL CENTERS
GENERAL FUND

JUNE 30, 1978

ASSETS	Departmental Administration	Parole and Community Services Division	California Correctional Center at Susanville	Sierra Conservation Center	California Correctional Institution at Tehachapi	Correctional Training Facility	Deuel Vocational Institution
Cash	\$1,153,679	\$182,998	\$ 164,824	\$ 78,007	\$ 13,407	\$ (80,846)	\$ 37,201
Accounts receivable	2,078,998	605,004	229,286	427,742	122,213	273,823	200,279
Allowance for deferred and uncollectible accounts receivable	(15,300)	--	--	(50)	(33,965)	(170,143)	(133,632)
Expense advances to employees	91,459	110,214	20,318	14,693	20,476	87,915	27,839
Prepayments to service revolving fund	354,424	73,513	11,819	47,253	--	--	29,210
Prepayments to sub-grantees	122,215	--	50,000	--	--	--	--
Other deferred charges	--	--	--	--	19,403	677	--
Total Assets	<u>\$3,785,475</u>	<u>\$971,729</u>	<u>\$ 476,247</u>	<u>\$ 567,645</u>	<u>\$ 141,534</u>	<u>\$ 111,426</u>	<u>\$ 160,897</u>
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY							
Liabilities:							
Accounts payable	\$2,483,300	\$669,619	\$ 426,197	\$ 668,073	\$ 266,084	\$ 438,564	\$ 368,387
Prepayment from other funds	31,809	--	--	--	--	--	--
Reimbursements collected in advance	781,155	--	50,000	300	--	--	--
Uncleared collections	375	11,678	8,011	408	2,262	15,040	--
Total Liabilities	<u>3,296,639</u>	<u>681,297</u>	<u>484,208</u>	<u>668,781</u>	<u>268,346</u>	<u>453,604</u>	<u>368,387</u>
Encumbrances Outstanding	<u>623,028</u>	<u>285,741</u>	<u>250,694</u>	<u>659,531</u>	<u>421,778</u>	<u>1,221,079</u>	<u>670,972</u>
Fund Equity:							
Operating clearing	<u>(134,192)</u>	<u>4,691</u>	<u>(258,655)</u>	<u>(760,667)</u>	<u>(548,590)</u>	<u>(1,563,257)</u>	<u>(878,462)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$3,785,475</u>	<u>\$971,729</u>	<u>\$ 476,247</u>	<u>\$ 567,645</u>	<u>\$ 141,534</u>	<u>\$ 111,426</u>	<u>\$ 160,897</u>

DEPARTMENT OF CORRECTIONS

SUPPLEMENTAL SCHEDULE
(Page 2 of 2)BALANCE SHEETS OF DEPARTMENTAL ADMINISTRATION,
PAROLE AND COMMUNITY SERVICE DIVISION, AND
TWELVE MAJOR CORRECTIONAL CENTERS
GENERAL FUND

JUNE 30, 1978

California State Prison at Folsom	California Institution for Men	California Medical Facility	California Men's Colony	California State Prison at San Quentin	California Institution for Women	California Rehabilitation Center	Totals
\$ 114,062	\$ 102,242	\$ 4,316	\$ 173,512	\$ 63,516	\$ 42,772	\$ 50,063	\$ 2,099,753
222,533	276,801	190,621	250,357	520,485	50,780	102,904	5,551,826
(189,022)	(178,613)	(8,939)	(157,623)	(431,597)	(15,688)	(9,083)	(1,343,655)
15,805	26,002	25,371	18,231	31,625	17,782	25,353	533,083
11,599	20,056	72,442	--	--	22,716	28,226	671,258
--	--	--	--	--	--	--	172,215
703	3,339	--	--	1,475	--	--	25,597
<u>\$ 175,680</u>	<u>\$ 249,827</u>	<u>\$ 283,811</u>	<u>\$ 284,477</u>	<u>\$ 185,504</u>	<u>\$ 118,362</u>	<u>\$ 197,463</u>	<u>\$ 7,710,077</u>
\$ 474,955	\$ 899,993	\$ 540,852	\$ 786,893	\$ 956,939	\$ 476,187	\$ 781,072	\$10,237,115
--	--	--	--	--	--	--	31,809
--	--	--	--	--	10,000	--	841,455
4,682	3,437	2,619	--	11,531	--	1,870	61,913
<u>479,637</u>	<u>903,430</u>	<u>543,471</u>	<u>786,893</u>	<u>968,470</u>	<u>486,187</u>	<u>782,942</u>	<u>11,172,292</u>
<u>291,280</u>	<u>529,415</u>	<u>172,654</u>	<u>298,341</u>	<u>439,102</u>	<u>241,383</u>	<u>245,510</u>	<u>6,350,508</u>
(595,237)	(1,183,018)	(432,314)	(800,757)	(1,222,068)	(609,208)	(830,989)	(9,812,723)
<u>\$ 175,680</u>	<u>\$ 249,827</u>	<u>\$ 283,811</u>	<u>\$ 284,477</u>	<u>\$ 185,504</u>	<u>\$ 118,362</u>	<u>\$ 197,463</u>	<u>\$ 7,710,077</u>

DEPARTMENT OF CORRECTIONS

SUPPLEMENTAL SCHEDULE

REVENUES, EXPENDITURES, AND CHANGES
 IN OPERATING CLEARING - BUDGET AND ACTUAL
 DEPARTMENTAL ADMINISTRATION, PAROLE AND COMMUNITY SERVICES
 DIVISION, AND TWELVE MAJOR CORRECTIONAL CENTERS
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 11,124,969	\$ 7,449,164	\$ (3,675,805)
Miscellaneous revenues	--	53,157	53,157
Total Revenues	11,124,969	7,502,321	(3,622,648)
Other Sources:			
Support appropriation	263,857,783	252,476,797	(11,380,986)
Reimbursements	4,396,566	3,966,058	(430,508)
Refunds to reverted appropriations	--	46,010	46,010
Total Other Sources	268,254,349	256,488,865	(11,765,484)
Total Revenues and Other Sources	279,379,318	263,991,186	(15,388,132)
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	2,957,337	2,956,422	915
Institutional program	208,849,670	208,261,178	588,492
Narcotic Addict Evaluation			
Authority	149,795	152,559	(2,764)
Community correctional program	28,043,000	27,762,984	280,016
Administration	11,667,636	11,670,579	(2,943)
Community Release Board	6,348,392	4,868,127	1,480,265
Workers' compensation benefits - inmates	22,600	16,030	6,570
Reimbursements to local jurisdictions:			
Transportation of prisoners	220,000	238,774	(18,774)
Returning fugitives from justice	770,000	769,850	150
Court costs and county charges	1,626,934	562,559	1,064,375
Detention of parolees	616,000	610,203	5,797
Capital outlay projects	11,086,821	3,228,750	7,858,071
Deferred maintenance projects	2,125,202	2,082,439	42,763
Grants	4,895,931	3,578,248	1,317,683
Prior year adjustments	--	638,261	(638,261)
Other Uses:			
Transfer of accountability to the State Controller	--	53,157	(53,157)
Total Expenditures and Other Uses	279,379,318	267,450,120	11,929,198
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ --	(3,458,934)	\$ (3,458,934)
Operating Clearing - July 1		(6,353,789)	
Operating Clearing - June 30		\$ (9,812,723)	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
DEPARTMENTAL ADMINISTRATION
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 4,848,533	\$ 4,437,742	\$ (410,791)
Miscellaneous revenues	--	8,730	8,730
Total Revenues	<u>4,848,533</u>	<u>4,446,472</u>	<u>(402,061)</u>
Other Sources:			
Support appropriation	23,828,205	19,489,337	(4,338,868)
Reimbursements	332,575	343,095	10,520
Refunds to reverted appropriations	--	20,117	20,117
Total Other Sources	<u>24,160,780</u>	<u>19,852,549</u>	<u>(4,308,231)</u>
Total Revenues and Other Sources	<u>29,009,313</u>	<u>24,299,021</u>	<u>(4,710,292)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	775,838	770,305	5,533
Narcotic Addict Evaluation Authority	149,795	152,559	(2,764)
Community correctional program Administration	11,667,636	11,670,579	(2,943)
Community Release Board	6,348,392	4,868,127	1,480,265
Workers' compensation benefits - inmates	22,600	16,030	6,570
Reimbursements to local jurisdictions:			
Transportation of prisoners	220,000	238,774	(18,774)
Returning fugitives from justice	770,000	769,850	150
Court costs and county charges	1,626,934	562,559	1,064,375
Detention of parolees	616,000	610,203	5,797
Capital outlay projects	2,157,255	413,519	1,743,736
Deferred maintenance projects	2,125,202	2,082,439	42,763
Grants	2,529,661	1,929,805	599,856
Prior year adjustments	--	(47,068)	47,068
Other Uses:			
Transfer of accountability to the State Controller	--	8,730	(8,730)
Total Expenditures and Other Uses	<u>29,009,313</u>	<u>24,046,411</u>	<u>4,962,902</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	252,610	<u>\$ 252,610</u>
Operating Clearing - July 1		(386,802)	
Operating Clearing - June 30		<u>\$ (134,192)</u>	

DEPARTMENT OF CORRECTIONS

SUPPLEMENTAL SCHEDULE

REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
PAROLE AND COMMUNITY SERVICES DIVISION
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 1,897,434	\$ 1,182,698	\$(714,736)
Miscellaneous revenues	--	--	--
Total Revenues	<u>1,897,434</u>	<u>1,182,698</u>	<u>(714,736)</u>
Other Sources:			
Support appropriation	27,763,000	27,563,306	(199,694)
Reimbursements	280,000	260,816	(19,184)
Refunds to reverted appropriations	--	15,841	15,841
Total Other Sources	<u>28,043,000</u>	<u>27,839,963</u>	<u>(203,037)</u>
Total Revenues and Other Sources	<u>29,940,434</u>	<u>29,022,661</u>	<u>(917,773)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	--	--	--
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program Administration	28,043,000	27,762,984	280,016
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	--	--	--
Deferred maintenance projects	--	--	--
Grants	1,897,434	1,182,698	714,736
Prior year adjustments	--	110,081	(110,081)
Other Uses:			
Transfer of accountability to the State Controller	--	--	--
Total Expenditures and Other Uses	<u>29,940,434</u>	<u>29,055,763</u>	<u>884,671</u>
Excess of Revenues and Other Sources over (under)			
Expenditures and Other Uses	<u>\$ --</u>	<u>(33,102)</u>	<u>\$(33,102)</u>
Operating Clearing - July 1		<u>37,793</u>	
Operating Clearing - June 30		<u>\$ 4,691</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA CORRECTIONAL CENTER AT SUSANVILLE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 2,197,181	\$ 387,061	\$(1,810,120)
Miscellaneous revenues	--	187	187
Total Revenues	<u>2,197,181</u>	<u>387,248</u>	<u>(1,809,933)</u>
Other Sources:			
Support appropriation	10,678,306	10,553,145	(125,161)
Reimbursements	482,198	161,532	(320,666)
Refunds to reverted appropriations	--	--	--
Total Other Sources	<u>11,160,504</u>	<u>10,714,677</u>	<u>(445,827)</u>
Total Revenues and Other Sources	<u>13,357,685</u>	<u>11,101,925</u>	<u>(2,255,760)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	10,682,553	10,724,553	(42,000)
Marcotic Addict Evaluation Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	2,380,460	92,791	2,287,669
Deferred maintenance projects	--	--	--
Grants	294,672	294,672	--
Prior year adjustments	--	(80,156)	80,156
Other Uses:			
Transfer of accountability to the State Controller	--	187	(187)
Total Expenditures and Other Uses	<u>13,357,685</u>	<u>11,032,047</u>	<u>2,325,638</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	69,878	<u>\$ 69,878</u>
Operating Clearing - July 1		(328,533)	
Operating Clearing - June 30		<u>\$ (258,655)</u>	

DEPARTMENT OF CORRECTIONS

SUPPLEMENTAL SCHEDULE

REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
SIERRA CONSERVATION CENTER
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 42,042	\$ 42,042	\$ --
Miscellaneous revenues	--	7,640	7,640
Total Revenues	42,042	49,682	7,640
Other Sources:			
Support appropriation	14,154,175	14,055,828	(98,347)
Reimbursements	754,234	757,957	3,723
Refunds to reverted appropriations	--	--	--
Total Other Sources	14,908,409	14,813,785	(94,624)
Total Revenues and Other Sources	14,950,451	14,863,467	(86,984)
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	14,901,951	14,900,309	1,642
Narcotic Addict Evaluation			
Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	48,500	43,986	4,514
Deferred maintenance projects	--	--	--
Grants	--	--	--
Prior year adjustments	--	(53,569)	53,569
Other Uses:			
Transfer of accountability to the State Controller		7,640	(7,640)
Total Expenditures and Other Uses	14,950,451	14,898,366	52,085
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ --	(34,899)	\$(34,899)
Operating Clearing - July 1		(725,768)	
Operating Clearing - June 30		\$ (760,667)	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA CORRECTIONAL INSTITUTION AT TEHACHAPI

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 140,305	\$ 134,559	\$ (5,746)
Miscellaneous revenues	--	5,768	5,768
Total Revenues	<u>140,305</u>	<u>140,327</u>	<u>22</u>
Other Sources:			
Support appropriation	11,267,235	11,117,894	(149,341)
Reimbursements	107,035	93,783	(13,252)
Refunds to reverted appropriations	--	9,314	9,314
Total Other Sources	<u>11,374,270</u>	<u>11,220,991</u>	<u>(153,279)</u>
Total Revenues and Other Sources	<u>11,514,575</u>	<u>11,361,318</u>	<u>(153,257)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	11,338,295	11,331,199	7,096
Narcotic Addict Evaluation			
Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	119,000	102,212	16,788
Deferred maintenance projects	--	--	--
Grants	57,280	51,534	5,746
Prior year adjustments	--	33,755	(33,755)
Other Uses:			
Transfer of accountability to the State Controller	--	5,768	(5,768)
Total Expenditures and Other Uses	<u>11,514,575</u>	<u>11,524,468</u>	<u>(9,893)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	(163,150)	<u>\$(163,150)</u>
Operating Clearing - July 1		(385,440)	
Operating Clearing - June 30		<u>\$ (548,590)</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CORRECTIONAL TRAINING FACILITY
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 34,709	\$ 37,385	\$ 2,676
Miscellaneous revenues	--	681	681
Total Revenues	<u>34,709</u>	<u>38,066</u>	<u>3,357</u>
Other Sources:			
Support appropriation	23,915,913	23,332,464	(583,449)
Reimbursements	382,440	378,465	(3,975)
Refunds to reverted appropriations	--	--	--
Total Other Sources	<u>24,298,353</u>	<u>23,710,929</u>	<u>(587,424)</u>
Total Revenues and Other Sources	<u>24,333,062</u>	<u>23,748,995</u>	<u>(584,067)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	24,088,198	24,116,208	(28,010)
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	230,000	171,059	58,941
Deferred maintenance projects	--	--	--
Grants	14,864	17,540	(2,676)
Prior year adjustments	--	66,530	(66,530)
Other Uses:			
Transfer of accountability to the State Controller	--	681	(681)
Total Expenditures and Other Uses	<u>24,333,062</u>	<u>24,372,018</u>	<u>(38,956)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	(623,023)	<u>\$(623,023)</u>
Operating Clearing - July 1		<u>(940,234)</u>	
Operating Clearing - June 30		<u>\$(1,563,257)</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
DEUEL VOCATIONAL INSTITUTION
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 788,892	\$ 542,723	\$(246,169)
Miscellaneous revenues	--	1,760	1,760
Total Revenues	<u>788,892</u>	<u>544,483</u>	<u>(244,409)</u>
Other Sources:			
Support appropriation	14,559,792	14,108,865	(450,927)
Reimbursements	306,762	230,266	(76,496)
Refunds to reverted appropriations	--	--	--
Total Other Sources	<u>14,866,554</u>	<u>14,339,131</u>	<u>(527,423)</u>
Total Revenues and Other Sources	<u>15,655,446</u>	<u>14,883,614</u>	<u>(771,832)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	14,427,598	14,423,814	3,784
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	1,227,848	782,418	445,430
Deferred maintenance projects	--	--	--
Grants	--	--	--
Prior year adjustments	--	74,656	(74,656)
Other Uses:			
Transfer of accountability to the State Controller	--	1,760	(1,760)
Total Expenditures and Other Uses	<u>15,655,446</u>	<u>15,282,648</u>	<u>372,798</u>
Excess of Revenues and Other Sources over (under)			
Expenditures and Other Uses	<u>\$ --</u>	(399,034)	<u>\$(399,034)</u>
Operating Clearing - July 1		<u>(479,428)</u>	
Operating Clearing - June 30		<u>\$ (878,462)</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA STATE PRISON AT FOLSOM
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ --	\$ --	\$ --
Miscellaneous revenues	--	3,699	3,699
Total Revenues	--	3,699	3,699
Other Sources:			
Support appropriation	15,434,495	14,957,111	(477,384)
Reimbursements	178,947	169,511	(9,436)
Refunds to reverted appropriations	--	541	541
Total Other Sources	15,613,442	15,127,163	(486,279)
Total Revenues and Other Sources	15,613,442	15,130,862	(482,580)
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	15,503,442	15,176,461	326,981
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	110,000	100,221	9,779
Deferred maintenance projects	--	--	--
Grants	--	--	--
Prior year adjustments	--	34,121	(34,121)
Other Uses:			
Transfer of accountability to the State Controller	--	3,699	(3,699)
Total Expenditures and Other Uses	15,613,442	15,314,502	298,940
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ --	(183,640)	\$(183,640)
Operating Clearing - July 1		(411,597)	
Operating Clearing - June 30		\$ (595,237)	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA INSTITUTION FOR MEN
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 10,000	\$ 10,000	\$ --
Miscellaneous revenues	--	2,658	2,658
Total Revenues	<u>10,000</u>	<u>12,658</u>	<u>2,658</u>
Other Sources:			
Support appropriation	27,443,210	26,922,958	(520,252)
Reimbursements	273,708	268,786	(4,922)
Refunds to reverted appropriations	--	185	185
Total Other Sources	<u>27,716,918</u>	<u>27,191,929</u>	<u>(524,989)</u>
Total Revenues and Other Sources	<u>27,726,918</u>	<u>27,204,587</u>	<u>(522,331)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	1,821,772	1,821,676	96
Institutional program	25,394,896	25,388,549	6,347
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	510,250	522,734	(12,484)
Deferred maintenance projects	--	--	--
Grants	--	--	--
Prior year adjustments	--	97,987	(97,987)
Other Uses:			
Transfer of accountability to the State Controller	--	2,658	(2,658)
Total Expenditures and Other Uses	<u>27,726,918</u>	<u>27,833,604</u>	<u>(106,686)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	(629,017)	<u>\$(629,017)</u>
Operating Clearing - July 1		(554,001)	
Operating Clearing - June 30		<u>\$(1,183,018)</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA MEDICAL FACILITY
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ --	\$ --	\$ --
Miscellaneous revenues	--	8,489	8,489
Total Revenues	--	8,489	8,489
Other Sources:			
Support appropriation	20,438,501	20,276,557	(161,944)
Reimbursements	246,262	314,574	68,312
Refunds to reverted appropriations	--	12	12
Total Other Sources	20,684,763	20,591,143	(93,620)
Total Revenues and Other Sources	20,684,763	20,599,632	(85,131)
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	864,788	864,943	(155)
Institutional program	19,790,600	19,740,974	49,626
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	29,375	27,615	1,760
Deferred maintenance projects	--	--	--
Grants	--	--	--
Prior year adjustments	--	(21,300)	21,300
Other Uses:			
Transfer of accountability to the State Controller	--	8,489	(8,489)
Total Expenditures and Other Uses	20,684,763	20,620,721	64,042
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ --	(21,089)	\$ (21,089)
Operating Clearing - July 1		(411,225)	
Operating Clearing - June 30		\$ (432,314)	

DEPARTMENT OF CORRECTIONS
 SUPPLEMENTAL SCHEDULE
 REVENUES, EXPENDITURES, AND CHANGES
 IN OPERATING CLEARING - BUDGET AND ACTUAL
 CALIFORNIA MEN'S COLONY
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 600,000	\$ 67,411	\$ (532,589)
Miscellaneous revenues	--	1,192	1,192
Total Revenues	<u>600,000</u>	<u>68,603</u>	<u>(531,397)</u>
Other Sources:			
Support appropriation	20,233,093	18,970,876	(1,262,217)
Reimbursements	518,485	409,957	(108,528)
Refunds to reverted appropriations	--	--	--
Total Other Sources	<u>20,751,578</u>	<u>19,380,833</u>	<u>(1,370,745)</u>
Total Revenues and Other Sources	<u>21,351,578</u>	<u>19,449,436</u>	<u>(1,902,142)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	19,806,036	19,757,379	48,657
Narcotic Addict Evaluation			
Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	1,545,542	46,843	1,498,699
Deferred maintenance projects	--	--	--
Grants	--	--	--
Prior year adjustments	--	99,193	(99,193)
Other Uses:			
Transfer of accountability to the State Controller	--	1,192	(1,192)
Total Expenditures and Other Uses	<u>21,351,578</u>	<u>19,904,607</u>	<u>1,446,971</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	<u>(455,171)</u>	<u>\$ (455,171)</u>
Operating Clearing - July 1		<u>(345,586)</u>	
Operating Clearing - June 30		<u>\$ (800,757)</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA STATE PRISON AT SAN QUENTIN
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 258,020	\$ 299,641	\$ 41,621
Miscellaneous revenues	--	10,927	10,927
Total Revenues	258,020	310,568	52,548
Other Sources:			
Support appropriation	25,250,570	23,200,007	(2,050,563)
Reimbursements	275,704	338,456	62,752
Refunds to reverted appropriations	--	--	--
Total Other Sources	25,526,274	23,538,463	(1,987,811)
Total Revenues and Other Sources	25,784,294	23,849,031	(1,935,263)
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	23,604,174	23,576,406	27,768
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	2,118,100	460,708	1,657,392
Deferred maintenance projects	--	--	--
Grants	62,020	61,999	21
Prior year adjustments	--	345,661	(345,661)
Other Uses:			
Transfer of accountability to the State Controller	--	10,927	(10,927)
Total Expenditures and Other Uses	25,784,294	24,455,701	1,328,593
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ --	(606,670)	\$ (606,670)
Operating Clearing - July 1		(615,398)	
Operating Clearing - June 30		<u>\$(1,222,068)</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA INSTITUTION FOR WOMEN
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 132,151	\$ 132,200	\$ 49
Miscellaneous revenues	--	553	553
Total Revenues	<u>132,151</u>	<u>132,753</u>	<u>602</u>
Other Sources:			
Support appropriation	9,988,036	9,690,075	(297,961)
Reimbursements	66,705	61,887	(4,818)
Refunds to reverted appropriations	--	--	--
Total Other Sources	<u>10,054,741</u>	<u>9,751,962</u>	<u>(302,779)</u>
Total Revenues and Other Sources	<u>10,186,892</u>	<u>9,884,715</u>	<u>(302,177)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	270,777	269,803	974
Institutional program	9,651,297	9,633,034	18,263
Narcotic Addict Evaluation Authority	--	--	--
Community correctional program Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits - inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	224,818	214,442	10,376
Deferred maintenance projects	--	--	--
Grants	40,000	40,000	--
Prior year adjustments	--	(15,344)	15,344
Other Uses:			
Transfer of accountability to the State Controller	--	553	(553)
Total Expenditures and Other Uses	<u>10,186,892</u>	<u>10,142,488</u>	<u>44,404</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	<u>(257,773)</u>	<u>\$(257,773)</u>
Operating Clearing - July 1		<u>(351,435)</u>	
Operating Clearing - June 30		<u>\$ (609,208)</u>	

DEPARTMENT OF CORRECTIONS
SUPPLEMENTAL SCHEDULE
REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
CALIFORNIA REHABILITATION CENTER
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	Budget as Adjusted	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental revenues	\$ 175,702	\$ 175,702	\$ --
Miscellaneous revenues	<u>--</u>	<u>873</u>	<u>873</u>
Total Revenues	<u>175,702</u>	<u>176,575</u>	<u>873</u>
Other Sources:			
Support appropriation	18,903,252	18,238,374	(664,878)
Reimbursements	191,511	176,973	(14,538)
Refunds to reverted appropriations	<u>--</u>	<u>--</u>	<u>--</u>
Total Other Sources	<u>19,094,763</u>	<u>18,415,347</u>	<u>(679,416)</u>
Total Revenues and Other Sources	<u>19,270,465</u>	<u>18,591,922</u>	<u>(678,543)</u>
Expenditures:			
Current:			
Expenditures by program:			
Reception and diagnosis	--	--	--
Institutional program	18,884,792	18,721,987	162,805
Narcotic Addict Evaluation			
Authority	--	--	--
Community correctional program	--	--	--
Administration	--	--	--
Community Release Board	--	--	--
Workers' compensation benefits -			
inmates	--	--	--
Reimbursements to local jurisdictions:			
Transportation of prisoners	--	--	--
Returning fugitives from justice	--	--	--
Court costs and county charges	--	--	--
Detention of parolees	--	--	--
Capital outlay projects	385,673	250,202	135,471
Deferred maintenance projects	--	--	--
Grants	--	--	--
Prior year adjustments	--	(6,286)	6,286
Other Uses:			
Transfer of accountability			
to the State Controller	<u>--</u>	<u>873</u>	<u>(873)</u>
Total Expenditures and Other Uses	<u>19,270,465</u>	<u>18,966,776</u>	<u>303,689</u>
Excess of Revenues and Other			
Sources over (under)			
Expenditures and Other Uses	<u>\$ --</u>	(374,854)	<u>\$(374,854)</u>
Operating Clearing - July 1		<u>(456,135)</u>	
Operating Clearing - June 30		<u>\$ (830,989)</u>	

DEPARTMENT OF CORRECTIONS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
SPECIAL DEPOSIT FUND

FOR FISCAL YEAR ENDED JUNE 30, 1978

	Balance July 1, 1977	Additions	Deductions	Balance June 30, 1978
<u>TITLE I: LOCAL PUBLIC WORKS</u>				
ASSETS				
Cash	\$ --	\$ 746,685	\$ 746,685	\$ --
LIABILITIES				
Accounts payable	\$ --	\$ 746,685	\$ 746,685	--
<u>UNION EMPLOYEES' VACATION TRUST</u>				
ASSETS				
Cash	\$10,027	\$ 155,243	\$ 159,262	\$ 6,008
LIABILITIES				
Accounts payable	\$10,027	\$ 155,243	\$ 159,262	\$ 6,008
<u>TAX SHELTERED ANNUITIES</u>				
ASSETS				
Cash	\$ 1,675	\$ 111,316	\$ 104,542	\$ 8,449
LIABILITIES				
Accounts payable	\$ 1,675	\$ 111,316	\$ 104,542	\$ 8,449
<u>TOTALS: SPECIAL DEPOSIT FUND</u>				
ASSETS				
Cash	\$11,702	\$1,013,244	\$1,010,489	\$14,457
LIABILITIES				
Accounts payable	\$11,702	\$1,013,244	\$1,010,489	\$14,457

OTHER COMMENTS

As an integral part of our examination, we reviewed the department's accounting procedures and related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the department's financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. Management letters describing the suggested operating improvements were issued to the department in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The principal management letter and the department's response are included in the following appendices.



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

Office of the Auditor General

925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

November 30, 1979

Management Letter 130-3

Mr. J. J. Enomoto
Director of Corrections
714 P Street
Sacramento, California 95814

Dear Mr. Enomoto:

The audit report on examination of the financial statements of the Department of Corrections General Fund, Special Deposit Fund, Trust Fund, and the General Fixed Assets Account Group for the period ended June 30, 1978 will contain an unqualified opinion on the General Fund and the Special Deposit Fund. In addition, it will contain a disclaimer of opinion on the Trust Fund and an adverse opinion on the General Fixed Assets Account Group. Our reasons for issuing the disclaimer of opinion and the adverse opinion are discussed below.

Disclaimer of Opinion - Trust Fund

Except for United States Savings Bonds, the department does not maintain trust fund accountability for individually owned inmate investments, including savings accounts and certificates of deposits, in the possession of the correctional centers. We believe that a trust exists for several reasons. Section 5057 of the Penal Code requires that

the director must establish an accounting and auditing system for all of the agencies and institutions including the prisons which comprise the department.... The accounting and auditing system must include such accounts and records as are found necessary to properly account for all money and property of the prisoners and the inmates.

Also, we believe that a trust exists because of the relationship of the parties and because correctional centers maintain possession of evidence of ownership of inmate investments. Correctional centers, in addition, control the investment and withdrawal of inmate funds. We were unable to determine the amount of individually owned inmate investments in the possession of correctional centers. Therefore, we will disclaim an opinion on the trust fund.

Adverse Opinion - General
Fixed Assets Account Group

Three correctional centers--California Correctional Center at Susanville, Sierra Conservation Center, and California Correctional Institution at Tehachapi--have not reported the cost of improvements on their financial statements. Although we could not determine from the department's records the amounts not recorded, based upon site inspections, the number of correctional centers not recording improvements, and amounts recorded by other correctional centers, our rough estimate indicates the unreported amounts are substantial. The department should account for improvements at cost or, if cost is not practicably determinable, at estimated cost. Accordingly, we will issue an adverse opinion on the General Fixed Assets Account Group.

As an integral part of our examination, we reviewed the department's accounting procedures and its related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the department's financial statements present financial position and the results of operations in accordance with generally accepted accounting principles consistently applied.

The review of accounting procedures and related system of internal accounting control enables us to recommend improvements which may result in better operating procedures or in better internal accounting controls. Our findings and recommendations, in addition to those previously transmitted to you on July 13, 1979 concerning the general checking account of the Parole and Community Services Division, are contained in the following sections of this letter. We have identified the location(s) to which our findings and recommendations apply.

We are also transmitting audit adjustment and reclassification entries to you as an attachment to this management letter. These entries are not necessary for a fair presentation of the financial statements, but are presented to provide information related to errors and omissions we noted in the accounting records of Departmental Administration, the Parole and Community Services Division, and the 12 major correctional centers. We discussed these entries with officials at each location as we completed our field work. These entries need not be recorded in your accounting records at this time.

FINDINGS AND RECOMMENDATIONS

Inmate Investments

As previously mentioned in this letter, except for United States Savings Bonds, the department does not maintain trust fund accountability for individually owned inmate investments which are in the possession of the correctional centers.

Other state agencies also hold in trust securities or savings accounts which are registered or issued in the names of individuals. These agencies maintain individual depositor and general ledger record of security and savings account balances and transactions in the trust fund, show such balances and transactions in the financial statements of the trust fund, and deposit these securities with the State Treasurer who also maintains records by both individual depositor and by state agency.

These procedures provide better control over trust assets than is exercised by the correctional centers because

- (1) Agencies maintain general ledger accounts to summarize account balances and assure accounting for all transactions and these accounts are subject to audit;
- (2) At other state agencies custody of the securities and evidence of savings accounts for which agencies are trustee is better separated from accounting for such securities and evidence of savings accounts than at the correctional centers; and

- (3) Three parties, each with full rights--the depositor (frequently a business or corporation which maintains formal accounting records), the state agency, and the State Treasurer--maintain a record of trust deposits with the agencies. The correctional centers are the primary party that maintains records of inmate securities and savings accounts.

In addition to the use of general ledger accounts, the Department of Corrections could consider these methods to improve internal control over inmate investments: transfer of custody of securities and savings accounts to the State Treasurer, or legislation requiring liquidation of fixed term obligations and cash equivalent investments and deposit of the proceeds in trust in the State Surplus Money Investment Fund.

RECOMMENDATION:

We recommend that the Director of Corrections require all correctional centers to maintain general ledger records of inmate investments and transactions in the trust fund and report such balances and transactions in the financial statements.

Also, we recommend the director separate the duties of maintaining inmate securities and evidence of savings accounts from the duties of accounting for them to the extent practical.

Primary Accounting Records

California Medical Facility at Vacaville and California Correctional Center at Susanville have not filed claims with the State Controller on a current basis and have not maintained current accounting records of revolving fund transactions. These practices have prevented these facilities from reconciling general checking accounts and from accounting for revolving funds advanced by the State Controller. Also, overdrafts of revolving fund advances have resulted. These deficiencies may result in errors or may allow employees to misuse cash without detection.

RECOMMENDATION:

We recommend that the Director of Corrections require these actions of the California Medical Facility and California Correctional Center at Susanville:

- File claims with the State Controller on a current basis;
- Reconcile general checking accounts monthly as required by Section 8060 of the State Administrative Manual; and
- Account for revolving fund advances monthly as required by Section 7922 of the State Administrative Manual..

Equipment

A physical inventory of equipment had not been taken in over three years at the following locations:

California Medical Facility
California Institution for Men
California State Prison at San Quentin
Sierra Conservation Center
California Institution for Women
California Correctional Center at Susanville
California State Prison at Folsom
California Correctional Institution at Tehachapi
Correctional Training Facility
Departmental Administration
Parole and Community Services Division

RECOMMENDATION:

We recommend that the Director of Corrections require these locations, if they have not already done so, to take a physical inventory of equipment at least once every three years and to reconcile the results to detailed property records and the general ledger.

Detailed Property Records

The following locations have not maintained property cards on a current basis, reconciled property cards to the property ledger, maintained a property ledger, or reconciled this ledger to the general ledger:

California Medical Facility
California Institution for Men
Sierra Conservation Center
California Institution for Women
California Correctional Center at Susanville
California State Prison at Folsom
California Correctional Institution at Tehachapi
Correctional Training Facility
Departmental Administration
Parole and Community Services Division

RECOMMENDATION:

We recommend that the Director of Corrections require these actions of all locations:

- Maintain property cards on a current basis;
- Maintain property ledgers and reconcile the property cards to the property ledger; and
- Reconcile the property ledger to the general ledger monthly.

Mr. J. J. Enomoto
Director of Corrections
November 30, 1979
Page 7

Facilities Employees Benefit Association

The Facilities Employees Benefit Association (FEBA) at the California Medical Facility (CMF) operates the canteen and service stations for the institution's employees. Inmates provide these services to the employees. Since August 1977, however, FEBA has not paid inmate wages, claiming that it has a weakened financial position. As of February 1979, the unpaid wages amounted to \$6,839.

Although the wages were not paid, the trust office at CMF has posted inmates' wages due from FEBA to the respective inmate trust accounts and has allowed the inmates to draw against the unpaid wages for their personal needs. This practice has resulted in a deficit of \$6,839 in the trust accounts as of February 1979; furthermore, trust monies which could be invested have been disbursed. We feel that because a free source of working capital is provided to FEBA, the purpose of the trust is not being served.

RECOMMENDATION:

We recommend that the Director of Corrections require California Medical Facility to use trust monies only for authorized trust purposes, to institute a formal plan which would eliminate the trust deficit due from the Facilities Employees Benefit Association, and to maintain inmate trust accounts on a cash basis as required by Section 7827 of the State Administrative Manual.

Capital Outlay

The following correctional centers are neither recording capital outlay expenditures in their general ledger nor reporting those expenditures in their year-end financial statements:

California Correctional Center at Susanville
Correctional Training Facility
California Institution for Men
California State Prison at San Quentin
California Institution for Women
California Rehabilitation Center

Mr. J. J. Enomoto
Director of Corrections
November 30, 1979
Page 8

These expenditures are paid from general fund appropriations and must be recorded to fairly present the department's expenditures.

RECOMMENDATION:

We recommend that the Accounting Officer at each correctional center listed above record capital outlay expenditures in the general ledger and report the expenditures in the year-end financial statements.

Revolving Fund
Receivables Ledger

The following correctional centers did not maintain a permanent record for revolving fund receivables:

California Rehabilitation Center
Correctional Training Facility
California Institution for Men
California Correctional Center at Susanville
California Medical Facility

A permanent record is needed to show transactions and open receivables.

RECOMMENDATION:

We recommend that the Director of Corrections require all locations to establish and maintain a revolving fund receivables ledger in accordance with the State Administrative Manual, Sections 8190 and 8192.

Separation of Duties--Payroll

Timekeepers at the California State Prison at San Quentin maintain their own attendance and receive and distribute payroll warrants. Also, supervisors and attendance clerks did not certify attendance reports for custody personnel, and the personnel office did not compare overtime authorized for custody personnel to overtime recorded by the timekeeper.

Mr. J. J. Enomoto
Director of Corrections
November 30, 1979
Page 9

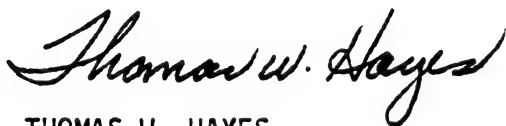
RECOMMENDATION:

We recommend that the Business Manager at the California State Prison at San Quentin adopt these improvements:

- Require supervisors of timekeepers to maintain a record of the timekeeper's attendance;
- Assign someone other than the timekeeper the duty of distributing payroll warrants;
- Require someone other than the timekeeper to compare overtime authorizations to overtime recorded.

State agencies have ten working days to respond in writing to management letters of the Auditor General. We would appreciate receiving your written response to this management letter by December 14, 1979. If you have any questions concerning the contents of this letter, please contact Mr. Fredrick Lewis, Audit Supervisor, at 323-3831.

Sincerely,



THOMAS W. HAYES
Auditor General

TWH:RIL:bg

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Michael Edmonds
Douglas Cordiner
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cc: Assemblyman Richard Robinson
Chairman, Joint Legislative
Audit Committee

Mary Ann Graves, Director
Department of Finance

DEPARTMENT OF CORRECTIONS

SACRAMENTO



January 25, 1980

Mr. Thomas W. Hayes
Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

Dear Mr. Hayes:

Management Letter 130-3 contains a number of findings and recommendations which resulted from your examination of the financial statements of the Department of Corrections General Fund, Special Deposit Fund, Trust Fund, and General Fixed Assets Account Group for the period ended June 30, 1978. Our responses to your recommendations are as follows:

Inmate InvestmentsRECOMMENDATION:

We recommend that the Director of Corrections require all correctional centers to maintain general ledger records of inmate investments and transactions in the trust fund and report such balances and transactions in the financial statements.

Also, we recommend the director separate the duties of maintaining inmate securities and evidence of savings accounts from the duties of accounting for them to the extent practical.

RESPONSE:

Although it may be desirable to maintain general ledger records of inmate investments and to report this information in the financial statements, there are several problems with the implementation of this recommendation. The first difficulty would arise when we attempted to account for investments made by an inmate prior to incarceration. Many inmates do not disclose fully their personal finances and we do not have the resources to insure that there has been full disclosure. Secondly, deposits and withdrawals are occasionally made without our knowledge and these transactions are not posted to the evidence of ownership which is in our possession. Finally, the additional workload to maintain the general ledger records would be significant and would require additional staff. We believe that our current procedures are

satisfactory and meet the requirements of the Penal Code; therefore, it seems to us that the benefits to be derived are outweighed by the costs.

We agree that the duties of maintaining inmate securities and evidence of savings accounts should be separated from the duties of accounting for them to the extent practical.

Primary Accounting Records

RECOMMENDATION:

We recommend that the Director of Corrections require these actions of the California Medical Facility and California Correctional Center at Susanville:

- File claims with the State Controller on a current basis;
- Reconcile general checking accounts monthly as required by Section 8060 of the State Administrative Manual; and
- Account for revolving fund advances monthly as required by Section 7922 of the State Administrative Manual.

RESPONSE

We concur with the recommendation but the problems occurred because of acute staffing shortages and inexperienced replacements. We feel that the actions of the State Personnel Board are largely responsible for our inability to recruit and retain qualified accounting staff.

Equipment

RECOMMENDATION:

We recommend that the Director of Corrections require these (11) locations, if they have not already done so, to take a physical inventory of equipment at least once every three years and to reconcile the results to detailed property records and the general ledger.

Detailed Property Records

RECOMMENDATION:

We recommend that the Director of Corrections require these actions of all locations:

- Maintain property cards on a current basis;

- Maintain property ledgers and reconcile the property cards to the property ledger; and
- Reconcile the property ledger to the general ledger monthly.

RESPONSES:

There is no question that many of our offices and correctional centers do not maintain accountability for property in conformance with the requirements of the State Administrative Manual. However, our property clerk positions were eliminated from the Governor's Budget in 1967. Although several correctional centers and the parole division have been or will be able to implement these recommendations, we feel that it would be unreasonable to require these actions at all locations without the necessary positions. Without sufficient staff to maintain property records, we are unable to maintain property control. Therefore, it would be meaningless to take a physical inventory of equipment.

Facilities Employees Benefit Association

RECOMMENDATION:

We recommend that the Director of Corrections require California Medical Facility to use trust monies only for authorized trust purposes, to institute a formal plan which would eliminate the trust deficit due from the Facilities Employees Benefit Association, and to maintain inmate trust accounts on a cash basis as required by Section 7827 of the State Administrative Manual.

RESPONSE:

We concur with this recommendation.

Revolving Fund Receivables Ledger

RECOMMENDATION:

We recommend that the Director of Corrections require all locations to establish and maintain a revolving fund receivables ledger in accordance with the State Administrative Manual, Sections 8190 and 8192.

RESPONSE:

Most correctional centers have been or are now in conformance with requirements of the State Administrative Manual, Sections 8190 and 8192. However, because of the large number of revolving fund checks that are processed, some correctional centers do not have sufficient staff to maintain a revolving

January 25, 1980

fund ledger. In its place they use the revolving fund check foil. These correctional centers have found that this alternative is adequate in their situation and have been able to maintain revolving fund accountability. If they are not allowed to continue with this alternative, additional staff would be required.

Separation of Duties - Payroll

RECOMMENDATION:

We recommend that the Business Manager at the California State Prison at San Quentin adopt these improvements:

- Require supervisors of timekeepers to maintain a record of the timekeeper's attendance;
- Assign someone other than the timekeeper the duty of distributing payroll warrants;
- Require someone other than the timekeeper to compare overtime authorizations to overtime recorded.

RESPONSE:

We concur with this recommendation.

We appreciate the opportunity that was given to the correctional centers and parole division to review and evaluate your recommendations that would affect them. Any questions about our responses to Management Letter 130-3 may be directed to Gary Hoig of my staff. His telephone number is 323-3575.

Sincerely,



W. T. DEGUCHI
Deputy Director
Administration

cc: Chairperson
Joint Legislative Audit Committee

Mary Ann Graves, Director
Department of Finance

Horace McFall, Deputy Secretary
Health and Welfare Agency

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps